

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



October 24, 2017

Byran Geraghty, Board Chair  
Pencil Foundation  
4805 Park Avenue, Suite 101  
Nashville, TN 37209

Dear Mr. Geraghty:

Please find attached the monitoring report of the Pencil Foundation relating to the contract it had with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2017.

The Office of Financial Accountability is charged with the responsibility of monitoring grant funds, including Community Enhancement Funds, from Metropolitan Nashville Government to any nonprofit organization. Staff from the Office of Financial Accountability conducted the review on September 26, 2017.

We appreciate the assistance provided by your agency during the course of the review. If you have any questions, please call me at 615-862-6712.

Sincerely,

*Kevin Brown*

Kevin Brown, CMFO, CICA, CFE  
Finance Administrator

cc: Angie Adams, President & CEO, Pencil Foundation  
Talia Lomax-O'dneal, Director of Finance, Department of Finance  
Gene Nolan, Deputy Director of Finance, Department of Finance

Kim McDoniel, Deputy Director of Finance, Department of Finance  
Phil Carr, Chief of Accounts, Department of Finance  
Tony Neumaier, Budget Officer, Department of Finance  
Mark Swann, Metropolitan Auditor, Office of Internal Audit  
Fred Adom, CPA, CGMA, CICA, Director, Office of Financial Accountability  
Essie Robertson, CPA, CMFO, CICA, Office of Financial Accountability  
Matthew Fouad, Office of Financial Accountability



**Metropolitan Government of Nashville and Davidson County**

# **PENCIL FOUNDATION**

◆ **Monitoring Report** ◆

Conducted by



**Office of Financial Accountability**

October 24, 2017

# MONITORING REPORT

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## TABLE OF CONTENTS

INTRODUCTION .....	5
OBJECTIVES, SCOPE AND METHODOLOGY .....	6
RESULTS OF REVIEW .....	7
FINDINGS AND RECOMMENDATIONS.....	10

## INTRODUCTION

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The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of Pencil Foundation. A monitoring review is substantially less in scope than an audit. The OFA did not audit the financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Pencil Foundation or any of its component units. The OFA is responsible for the internal monitoring of Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”) agencies that receive federal and state financial assistance, including cooperative agreements and non-profit organizations that receive appropriations and Community Enhancement Funds from Metro government. In summary, any agreement(s) that imposes performance and/or financial requirements on Metro government is subject to review by the OFA.

The purpose of this review was to assess the agency’s compliance with contractual requirements set forth in the following contract with Metro Government:

<b>Contract</b>	<b>Type</b>	<b>Amount</b>	<b>Contact Term</b>	
L-3605	Community Enhancement Funds	73,500	July 1, 2016	June 30, 2017

### **Agency Background**

PENCIL Foundation began in 1982 as “Nashville’s first nonprofit linking community resources with Nashville public schools to help young people achieve academic success”. The flagship program, PENCIL Partners, now connects over 170 schools to one or more of the 840 plus pencil partners. The Pencil Foundation administers educational programs that involve the community as volunteers and mentors, provide academic enrichment opportunities, prepare students for graduation and get school supplies in the hands of children who need them.

## OBJECTIVES, SCOPE AND METHODOLOGY

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The objectives of our review were:

- 1) To determine whether the agency had the resources and capacity to administer the grant funds.
- 2) To determine if costs and services were allowable and eligible.
- 3) To verify that program objectives were met.
- 4) To test the reliability of the financial and programmatic reporting.
- 5) To verify contractual compliance.

The scope of our review was limited to the contract term July 1, 2016 through June 30, 2017.

The monitoring review procedures included meeting with agency management and staff, reviewing board minutes and obtaining written representations from management. In addition, we examined certain financial records and supporting documentation necessary to ensure compliance with contractual requirements set forth in contract L-3605. Specific procedures included:

- Interviewing the employees responsible for grant management, financial reporting and accountability.
- Reviewing supporting documentation of expenditures for allowability, necessity and reasonableness.
- Reviewing the agency's general ledger and verifying the accuracy of all invoices submitted to Metro.
- Reviewing documentation to determine that funds were used for intended beneficiaries and expended in accordance with the spending plan of the contract.
- Reviewing documentation to support program activities for consistency with grant requirements.
- Assessing the financial stability of the agency and its ability to continue to administer the grant program funded by Metro.

## RESULTS OF REVIEW

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### SUMMARY OF RESULTS

Criteria	Yes	No
Sufficient Resources and Capacity to Administer Funds?	✓	
Costs and Services Allowable and Eligible?	✓	
Program Objectives Met?		✓
Reporting Requirements Met?	✓	
Compliance with Civil Rights Requirements?	✓	

## RESULTS OF REVIEW

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The overall results of the monitoring review are provided in this section. Results are based on testwork performed and include conclusions regarding specific review objectives and, if applicable, recommendations for improvement and an action plan for implementation. Where applicable, the Findings and Recommendations section of this report provides more insight into any issues identified below.

### **1. Sufficient Resources and Capacity to Administer Grant Funds**

Our review of the agency's accounting system and the qualifications of the individuals assigned to manage the accounting records indicate that the agency possesses the necessary resources and professional expertise to effectively administer the grant funds.

### **2. Allowable and Eligible Costs and Services**

Our review covered all of the core compliance areas identified by 2 CFR Part 200: *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Additionally, the Metro Grants Manual requires separate accounting of the Metropolitan Nashville Government grant funds to prevent co-mingling of Metro Funds with other sources of funding. The agency was in compliance with this requirement. Different revenue classes as well as expenditure classes have been established to separately track the sources and amounts of funding. Also, the agency can easily and accurately report their expenses supported by the Metro grant.

Based on our test work, costs and services during the period were allowable and eligible.

### **3. Program and Performance Objectives**

The contract stipulates that the agency shall use the funds for an afterschool program with the following outcomes:

## **RESULTS OF REVIEW**

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- 1) PENCIL-ACE (Academic and Career Enrichment), will serve a minimum of 75 unduplicated middle school students (Donelson, J.T. Moore and Wright middle schools)
- 2) At least 75% of the enrolled students will maintain a 70% or higher PACE attendance rate.
- 3) At least 75% of the enrolled students will improve their knowledge and attitudes related to STEM.
- 4) PACE scores at each site will improve in at least two categories of the Youth Program Quality Assessment (YPQA) from the fall to spring.

Based on our review of program documentation and discussions with staff, the agency failed to meet three of the four program performance objectives. Therefore, the agency was not in compliance with contractual program objectives. See Finding #1 in the Findings and Recommendations sections for more details.

### **4. Reliability of Financial and Programmatic Reporting**

The contract requires submission of an annual audit report performed by a Certified Public Accountant. The contract also requires the agency to submit to Metro year end reports of the program outcome and a final expenditures report, no more than 45 days after the close of the contract.

We reviewed all applicable financial and programmatic reports required by the contract, including audited financial statements. Based on our review, the agency complied with all financial and programmatic reporting requirements.

### **5. Civil Rights Requirements**

Our review did not reveal anything to indicate that the agency was noncompliant with civil rights requirements. The agency also has necessary written policies and procedures relating to civil rights. The agency has not received any complaints regarding any form of discrimination. Further, civil rights and ADA postings are publicly displayed.

## FINDINGS AND RECOMMENDATIONS

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### 1. Program Performance Goals Not Met

#### Finding

According to the terms in the contract with Metro for the Community Enhancement Fund, the Pencil Foundation failed to meet the following agency's contractual program objectives:

- The first unmet objective states, *“At least 75% of the enrolled students will maintain a 70% or higher PACE attendance rate”*. Based on the documentation provided by the agency, only 54.3% of students at Donelson, J.T. Moore and Wright Middle School maintained a 70% or higher PACE attendance rate.
- The second unmet objective states, *“At least 75% of the enrolled students will improve their knowledge and attitudes related to STEM”*. Based on the documentation provided by the agency, the OFA auditor could not determine whether the outcome of the above objective was achieved. The Pencil Foundation used the Common Instrument survey from the PEAR institute in determining attitudes related to this objective. Students completed pre and post surveys, on-line, for which the agency received a report called Summary of Key Findings. The report concluded “ratings of science interest did not significantly increase over time”. However, the ratings of science interest began the year as positive and remained positive at the end of the program. The agency was not able to report nor document the percentage of program participants that improved their knowledge and attitudes related to STEM.
- The third unmet objective states; *“PACE scores at each site will improve in at least two categories of the Youth Program Quality Assessment (YPQA) from the fall to spring”*. Based on the documentation provided by the agency, only Donelson and J.T. Moore sites met the above objective. Wright Middle school did not meet the above objective because the agency closed the site in December 2016 prior to taking the spring Youth Program Quality Assessment (YPQA). The agency closed the site without notifying Metro prior to its decision to close an approved CEF afterschool site.

## RESULTS OF REVIEW

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### **Recommendation**

The Pencil Foundation should take the necessary steps to ensure that program objectives are met and adequately documented.

### **Corrective Action Plan Required**

Please submit a corrective action plan indicating the actions the agency intends to take to correct the findings identified in this report. The corrective action plan should be submitted within 14 days from the report date to the address below:

Division of Grants Coordination  
PO Box 196300  
Nashville, TN 37219  
ATTN: Vaughn Wilson